



An Open-end Income Fund primarily investing in portfolio of fixed income securities; NIT-IF offers a high degree of security to investors and is an ideal Fund for investors seeking competitive stream of returns with moderate level of risk.



Assurance in Income



CORPORATE

information

FUND NAME

NIT - Income Fund

NAME OF AUDITORS

A.F. Ferguson & Co. Chartered Accountants

LIST OF BANKERS

Allied Bank Limited

Bank Al Habib Limited

NIB Bank Limited

Standard Chartered Bank (Pakistan) Limited

United Bank Limited

NIT - INCOME FUND

FUND MANAGER REPORT

2010-2011

NIT-IF Objective

The objective of NIT Income Fund (NIT IF) is to generate competitive stream of return with moderate level of risk for its unit holders, by investing primarily in fixed income securities/instruments.

Profile of Investment Manager

National Investment Trust Ltd. (NITL) is the first Asset Management Company of Pakistan, formed in 1962. NITL is the largest asset management company of Pakistan with approximately Rs. 78 billion assets under management as of June 30, 2011. The family of Funds of NIT comprises of five (5) funds including three (3) equity Funds and two (2) fixed income Funds. NIT's distribution network comprises of 21 NIT branches, various Authorized bank branches all over Pakistan and Arab Emirates Investment Bank (AEIB) in Dubai (UAE). The Board of Directors of NITL consists of representatives of leading financial institutions, prominent industrialists and nominee of Govt. of Pakistan. The company has been assigned Management Quality (MQ) rating of "AM2-" by JCR-VIS credit rating Company Ltd., which denotes the stable outlook of the company and the asset manager meets high investment management quality standards. All Investment decisions are taken by the Investment Committee of NITL.

Fund Information NIT IF:

• Fund Type	Open-End	• Category	Income Fund
• Launch Date	February 19, 2010	• Listing	KSE, LSE & ISE
• Management Fee	1.25%	• Front End Load	1.00%
• Back End Load	Nil	• Par Value	PKR 10.0000
• Fund Manager	Khurram Aftab Ahmed	• Risk Profile	Moderate
• Stability Rating	AA- (f) (PACRA)	• AMC Rating	AM2- (JCR-VIS)
• Trustee	Central Depository Co. (CDC)	• Auditors	A.F Ferguson & Co.
• Registrar	National Investment Trust Ltd.	• Pricing Mechanism	Forward Pricing
• Min Subscription	Rs. 5,000		

Rating

The Pakistan Credit Rating Agency (PACRA) assigned stability rating of "AA-(f)" (Double A Minus – fund rating) to NIT Government Bond Fund, an open-end income fund investing primarily in government securities in Mar 2011. The fund's rating denotes a very strong capacity to manage relative stability in returns and very low exposure to risks.

Fund's Performance at a Glance

	2010-11	2009-10
Beginning Net Assets (Rs. Million)	2,296	3,700
Beginning NAV Per Unit (Ex-Dividend) (Rs.)	9.9938	10.0000
Ending Net Assets (Rs. Million)	2,014	2,296
Ending NAV Per Unit (Rs.)	11.2029	10.3438
Net Income (Rs. Million)	206.73	86.00
Final Distribution Per Unit (Rs.)	1.0581	0.35
Income Distribution (% of Net Income)	92%	90%
Annualized Return (%)	12.10%	9.88%
Benchmark Return (%)	13.38%	12.35%
Weighted Average Time to Maturity (Year)	1.89	1.21

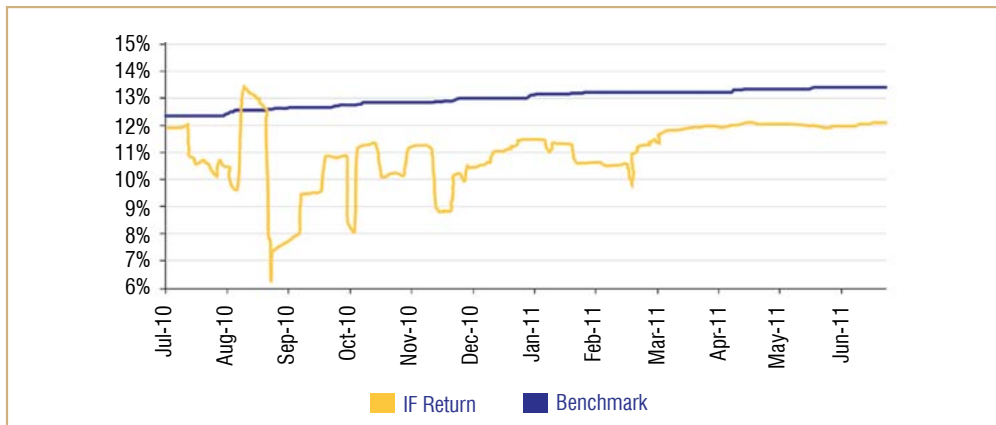
NIT - INCOME FUND FUND MANAGER REPORT 2010-2011

Benchmark vs. Return

The performance of scheme is compared against average of 6 months KIBOR.

Comparison of Fund's return against benchmark

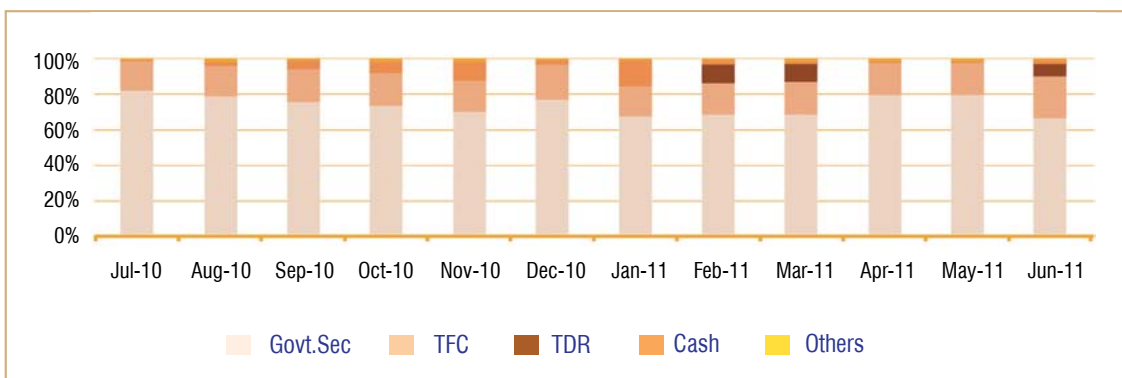
The graph below depicts the comparison of the Fund's return against its benchmark.



Investment Strategy

During FY11 NIT Income Fund yielded a return of 12.10% p.a. as compared to the benchmark return of 13.38% p.a. thereby, underperforming its benchmark by 128bps. In the process of building a portfolio of fixed income securities NIT IF, since its launch took significant exposure in short term Government Securities, such as Treasury Bills. However during the fiscal year the fund reduced its exposure in Treasury Bills to around 67% from 81% as compared to the start of the fiscal year. As the fund was in the process of building a portfolio of high quality corporate bonds mainly from the commercial banking sector, these TFCs were shortlisted through comprehensive evaluation techniques. Currently the portfolio of these TFCs has reached 24% of total assets which will further be enhanced by continual focus on high credit rated corporate debt securities issued by the commercial banking sector and other high rated corporates. We believe that this shift from short term Treasury Bills to TFCs will contribute towards the return and lead to outperformance of the benchmark in the coming years. Furthermore, we have plans to diversify the portfolio while keeping in mind the risk return trade off, to gain optimum returns while at the same time mitigate the risk factor. The fund focused on increasing its exposure in high quality Term Finance Certificate (TFCs) mainly from the banking sector. We believe that the funds exposure towards good quality TFCs along with well timed accumulation of Government papers should contribute towards decent returns going forward.

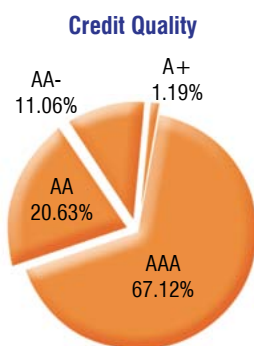
Asset Allocation during FY11



NIT - INCOME FUND FUND MANAGER REPORT 2010-2011

Asset allocation of NIT Income Fund at the period ended June 30, 2011 had 67% of its total assets in Government Securities (T-Bills), 24% of total assets were invested in high quality corporate bonds mainly from the banking sector, an exposure of 7% was in TDR whereas remaining 2% of total assets were in the form of cash and other receivables/assets. AS of June30, 2011 the weighted average time to maturity of the fund around 1.89 years which would increase as the TFC portfolio of the fund increased.

Credit quality of the portfolio reveals that the fund is invested around 99% of its net assets in AA- and above rated instruments which shows strong portfolio quality. The TFC holdings as on 30th June 2011 is also stated in the table below.



TFC Holding (As of Jun 30, 2011)	% of Total Assets
Bank Al-Falah Ltd. IV	5.19%
Bank Al-Habib Ltd. IV	4.93%
Askari Bank Ltd. III	4.08%
Engro Fertilizer Ltd. IV	3.25%
Bank Al-Habib Ltd. III	2.49%
United Bank Ltd. IV	2.43%
NIB Bank Ltd	1.19%
Total	23.56%

Dividend Declaration by the Fund for FY 2010-11

During FY 2010-11, the Fund earned a net income of Rs. 207 million as compared to Rs.86 million the previous year (since its inception on 19.Feb.10 till 30.Jun.10). This net income translates into a per unit earning of Rs.1.15 as compared to Rs.0.39 per unit last year. For NIT IF, NIT declared a per unit distribution of Rs. 1.0581 for the period ended 30th June 2011.

Pattern of Unit Holders

Category	(Units in million) NIT-IF	Percentage of Holding
Institutional Investors	159.62	88.80%
Individuals	20.13	11.20%
TOTAL	179.75	100.00%

NIT - INCOME FUND

FUND MANAGER REPORT

2010-2011

Money Market Review

The State Bank of Pakistan hiked its discount rate three times at the commencement of the fiscal year 2011 in response to what it deemed to be inflationary pressures and excessive government borrowing from the banking sector. Discount rates increased from 12.50% p.a. to 14.00% p.a. in three consecutive Monetary Policy statements announced by State Bank of Pakistan. The government has since made progress in this area, by adopting economic and fiscal reforms in mid-March this year in spite of political disagreements. During the 2HFY11 Policy rates were kept on hold mainly as higher interest rates would exacerbate the problem of weak business investment. Private sector credit growth remains suppressed at around 3-4% y/y, in contrast to the double-digit pace of public borrowing. Economic recovery was not entrenched despite strong and sustained growth in remittances, household spending was still only increasing at a tepid pace. Finally, core inflation had been steady rather than trending higher.

Six month KIBOR remained on the higher side with an average of 13.38% as compared to last year's average of 12.46% an increase of 92 bps mainly due to 150 bps increase in the discount rate.

During FY11, SBP conducted a total of 26 T-bill auctions (two auctions per month and 3 auctions in Dec-10 and Jun-11). Total target amount was Rs 3,375bn set by SBP, while the accepted amount was Rs 3,629bn. The last cutoff yields from Jun-11 for 3M, 6M and 12M tenors increased to 13.48%, 13.74% and 13.91% from Jun-10 last cutoff yields of 12.10%, 12.35% and 12.46% respectively. The cut-off yield on the benchmark 10 year PIB closed at 14.09%, increased by 141 bps over last year closing of 12.68%.

Economic Review

Pakistan continue to face significant macro-economic challenges in FY11 post unprecedented floods in July 2010 which engulfed one-fifth of the country's entire land mass, adversely affecting the agricultural and industrial sectors. Hence rehabilitation of flood affectees took the position of foremost economic and social challenge to be tackled. Shortage of energy, circular debt issue and law & order situation continue to hamper the economic growth. On the exogenous front soaring international commodity prices (especially crude oil) which not only induced inflationary pressures but also aggravated the energy crisis in the absence of structural reforms for the power sector. However the economy depicted a great resilience and managed to register a growth of 2.4% in FY11. The Economic survey 2010-11 revealed that the country's economy grew by a provisional 2.4% as compared to growth of 3.7% in the previous year and target of 4.5%.

Encouragingly, agriculture which posted an estimated growth of 1.2% against expectations of negative growth post-floods.

Large-scale manufacturing remained a victim of power outages and lower domestic demand as it grew by 1.14% in FY11 as against 4.9% of last year.

Services sector grew by 4.1% as against 2.9% last year. The main contributors to this growth are public administration and defense (13.2%), and social services sector (7.1%).

After remaining in deficit for consecutive six years, Pakistan's current account posted a surplus of US\$ 437 million in FY 2010-11. The current account surplus is primarily a result of strong export growth, and an increase in worker remittances. Pakistan's trade deficit saw a definite improvement shrinking down to US\$10.175bn from US\$11.536bn a year ago. The main driver behind the improvement in the trade balance is the sharp increase in exports from US\$19.673bn to US\$25.462bn, which outweighed the increase in imports from US\$31.209bn to US\$35.637bn. However, the real star behind the FY11 current account surplus was the US\$11.201bn workers' remittances, which rose by 26% YoY.

The impact of flood was not limited to disruption in economic activity but it also caused a spike in inflation. Overall, the average CPI inflation in FY11 was 13.9%, considerably higher than 11.7% in the corresponding period of FY10. Importantly, this inflation is not limited to food items only as feared earlier due to floods. On the other hand, prices of non-perishable items have also increased. Increase in electricity tariffs, government borrowing and adjustments in domestic oil prices did also contribute to inflation both directly and indirectly.

Net foreign private investment fell by 29%, primarily due to a decline of US\$ 577 million in foreign direct investment during FY11. On the other hand, foreign portfolio investment though recorded a net inflow of US\$ 365 million during the period but it remained 38% lower than the previous year.

Global economy is still projecting a gloomy economic picture. Rising international commodity prices particularly oil, law & order situation and energy shortages are the major threats faced by the domestic economy and hence need serious and sincere efforts at each level of nation. However in the long term perspective Pakistan's economy has performed fairly well and is expected to do the same in the future as well.

NIT - INCOME FUND FUND MANAGER REPORT 2010-2011

(Economic data source: Economic Survey of Pakistan & SBP Website)

Other Disclosures under NBFC Regulations 2008:

The Fund Manager hereby makes the following disclosures as required under the NBFC Regulations 2008;

- a. The Management Company or any of its delegates did not receive any soft commission (goods & services) from any of its brokers / dealers by virtue of transactions conducted by the Fund.
- b. There was no unit split undertaken during the year.

Trustee Report

TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) and Clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

The NIT Income Fund (the Fund), an open-end fund was established under a trust deed dated September 17, 2009, executed between National Investment Trust Limited, as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Sd/-

Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi, August 29, 2011

Auditors' Report

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **NIT – Income Fund**, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2011, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Sd/-

A.F. Ferguson & Co.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: August 22, 2011

Karachi

Compliance Report

REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **National Investment Trust Limited**, (the Management Company) for and on behalf of **NIT – Income Fund** to comply with the requirements of Chapter XI of the Listing Regulations of the Karachi Stock Exchange (Guarantee) Limited, the Lahore Stock Exchange and the Islamabad Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Regulation 35 (xiii a) of the Listing Regulations requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. All such transactions are also required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

Sd/-

A.F. Ferguson & Co.

Chartered Accountants

Engagement Partner: **Rashid A. Jafer**

Dated: August 18, 2011

Karachi

Compliance Statement

STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This Statement is being presented to comply with the requirements of the Code of Corporate Governance contained in the Listing Regulations of Karachi, Islamabad and Lahore Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

National Investment Trust Limited, the Management Company, is not listed and hence, the Code is not applicable to it. However, NIT-Income Fund (the Fund) being listed at the Karachi, Islamabad and Lahore Stock Exchanges comes under the ambit of the Code. The Fund, being a unit trust scheme, does not have its own Board. The Board of Directors of the Management Company manages the affairs of the Fund and has appointed the Managing Director (MD), Chief Financial Officer (CFO) and the Company Secretary of the Management Company and other necessary personnel to manage its affairs.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of non-executive directors (the Board). Presently, the Board includes eight non-executive directors and one executive director.
2. None of the directors are serving as a director in ten or more listed companies with the exception of Chairman and Managing Director of NIT who is serving as a director of twelve listed companies. However, the Management Company has obtained an approval from the Securities and Exchange Commission of Pakistan in this regard.
3. All the resident directors of the Management Company have confirmed that they are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. None of the directors or their spouses is engaged in the business of stock brokerage.
5. During the year, the tenure of directors' expired and the Board was re-elected with the exception of Mr. Qamar Hussain who was co-opted as nominee of National Bank of Pakistan in place of Syed Ali Raza and Mr. Muhtashim Ahmed Ashai was co-opted as nominee of MCB Bank Limited in place of Mr Aftab Ahmed Khan in meetings held on February 8, 2011 and July 5, 2010 respectively.
6. The Management Company has adopted a "Corporate Social Responsibility (CSR) Document" detailing organizational governance and business practices which has been acknowledged by all the directors and employees of the Management Company.
7. The Management Company has developed a vision / mission statement, overall corporate strategy and significant policies of the Management Company which have been approved by the Board. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
8. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, have been taken by the Board.
9. The meetings of the Board were presided over by the Chairman. The Board of Directors has met five times during the year and written notices of the meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
10. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions, if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in an arm's length transactions only if such terms can be substantiated.
11. The Chairman and the Key Management members have participated in the orientation course arranged by the Management Company.

Compliance Statement

12. There was no new appointment of Chief Financial Officer, Company Secretary or the Head of Internal Audit during the year. Their remuneration and terms and conditions of employment had been approved by the Board.
13. Directors' Report for the year ended June 30, 2011 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The financial statements of the Fund have been prepared in accordance with the approved accounting standards as applicable in Pakistan and were duly endorsed by the Chief Executive Officer and Chief Financial Officer before approval of the Board. The directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than those disclosed in the Directors' Report.
15. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an Audit Committee which comprises of six members, all of whom are non-executive directors.
17. The meetings of the Audit Committee were held at least every quarter prior to approval of interim and final results of the Fund as required by the Code. The Board has approved terms of reference of the Audit Committee.
18. The Board has set-up an effective internal audit function headed by the Head of Internal Audit & Compliance.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold units of the Fund and that the firm and all its partners are in compliance with the International Federation of Accountants (IFAC) guidelines on Code of Ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with. The Management Company intends to file its Secretarial Compliance Certificate subsequent to the year ended June 30, 2011.

Sd/-

Wazir Ali Khoja

Chairman & Managing Director

Dated: August 22, 2011

Place: Karachi

NIT - INCOME FUND

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2011

	Note	2011	2010
		Rupees in '000	
ASSETS			
Bank balances	4	195,661	59,470
Investments	5	1,831,049	2,240,831
Accrued income	6	9,697	7,302
Security deposits	7	100	350
Preliminary expenses and floatation costs	8	3,150	4,018
Receivable against sale of units		125,000	207,736
Total assets		2,164,657	2,519,707
LIABILITIES			
Payable to National Investment Trust Limited - Management Company	9	6,892	7,653
Payable to Central Depository Company of Pakistan Limited - Trustee	10	214	319
Payable to Securities and Exchange Commission of Pakistan	11	1,525	848
Payable against redemption of units		135,636	212,508
Accrued expenses and other liabilities	12	6,663	2,122
Total liabilities		150,930	223,450
NET ASSETS		2,013,727	2,296,257
Unit holders' fund (as per statement attached)		2,013,727	2,296,257
Contingencies and commitments			
Number of units in issue		179,749,934	221,993,179
Net asset value per unit		11.2029	10.3438

The annexed notes 1 to 31 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - INCOME FUND

INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	For the year ended June 30, 2011	For the period from January 16 to June 30, 2010
Rupees in '000			
INCOME			
Income from government securities		188,134	108,125
Profit on bank deposits		8,643	18,949
Income from term finance certificates		56,789	10,383
Income from term deposit receipts		5,925	-
Amortisation of discount on term finance certificates - net		8	-
Capital loss on sale of investments		(709)	(251)
Other income		297	3
Total income		259,087	137,209
EXPENSES			
Remuneration of National Investment Trust Limited - Management Company	9.1	25,433	14,127
Remuneration of Central Depository Company of Pakistan Limited - Trustee	10.1	2,808	1,489
Annual fee - Securities and Exchange Commission of Pakistan	11.1	1,526	848
Custodian charges of Central Depository Company of Pakistan Limited		7	3
Amortisation of preliminary expenses and floatation costs	8	868	311
Amortisation of premium on term finance certificates - net		-	139
Settlement and bank charges		288	195
Securities transaction costs		26	223
Listing fee		60	300
Rating Fee		150	-
Auditors' remuneration	15	650	365
Printing charges		100	50
Total expenses		31,916	18,050
Net income from operating activities		227,171	119,159
Element of loss and capital losses included in prices of units issued less those in units redeemed		(16,227)	(31,096)
Provision for workers' welfare fund	16	(4,219)	(1,650)
Net income before taxation		206,725	86,413

NIT - INCOME FUND
INCOME STATEMENT
 FOR THE YEAR ENDED JUNE 30, 2011

	Note	For the year ended June 30, 2011	For the period from January 16 to June 30, 2010
		Rupees in '000	
Taxation	17	-	-
Net income after taxation		<u>206,725</u>	<u>86,413</u>
Earnings per unit (in Rupees)	18	<u>1.10</u>	<u>0.31</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

**For National Investment Trust Limited
(Management Company)**

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - INCOME FUND
STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED JUNE 30, 2011

	Note	For the year ended June 30, 2011	For the period from January 16 to June 30, 2010
Rupees in '000			
Net income after taxation		206,725	86,413
Other comprehensive income			
Net unrealised appreciation / (diminution) in the fair value of investments classified as 'available for sale'	5.5	10,875	(10,089)
Total comprehensive income		<u>217,600</u>	<u>76,324</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

**For National Investment Trust Limited
(Management Company)**

**Sd/-
Managing Director**

**Sd/-
Director**

**Sd/-
Director**

NIT - INCOME FUND DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2011

	For the year ended June 30, 2011	For the period from January 16 to June 30, 2010
	Rupees in '000	
Undistributed income brought forward	86,413	-
Net income after taxation	206,725	86,413
Final distribution for the period ended June 30, 2010: Rs. 0.35 per unit	(77,698)	-
Undistributed income carried forward	<u>215,440</u>	<u>86,413</u>
Undistributed income comprising of:		
Realised income	215,440	86,413
Unrealised income	-	-
	<u>215,440</u>	<u>86,413</u>

The annexed notes 1 to 31 form an integral part of these financial statements.

**For National Investment Trust Limited
(Management Company)**

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - INCOME FUND

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

FOR THE YEAR ENDED JUNE 30, 2011

Note	For the year ended June 30, 2011	For the period from January 16 to June 30, 2010
	Rupees in '000	
Net assets at the beginning of the year / period	2,296,257	-
Issue of 100,067,386 units (2010: 501,995,166 units)	1,058,567	5,055,626
Redemption of 147,134,832 units (2010: 280,001,987 units)	(1,545,438)	(2,866,789)
	(486,871)	2,188,837
Issue of 4,406,122 bonus units (2010: Nil)	44,034	-
Issue of 418,079 units under Cummulative Investment Plan (2010: Nil)	4,178	-
	<u>1,857,598</u>	<u>2,188,837</u>
Net element of loss and capital losses included in prices of units issued less those in units redeemed - transferred to income statement	16,227	31,096
Net unrealised appreciation / (diminution) in the fair value of investments classified as 'available for sale'	5.5 10,875	(10,089)
Capital loss on sale of investments	(709)	(251)
Other net income for the year / period after taxation	207,434	86,664
Final distribution for the period ended June 30, 2010: Rs. 0.35 per unit	(77,698)	-
	129,027	86,413
Net assets at the end of the year / period	<u><u>2,013,727</u></u>	<u><u>2,296,257</u></u>

The annexed notes 1 to 31 form an integral part of these financial statements.

**For National Investment Trust Limited
(Management Company)**

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - INCOME FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

Note	For the year ended June 30, 2011	For the period from January 16 to June 30, 2010
	Rupees in '000	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	206,725	86,413
Adjustments for non-cash items		
Remuneration to National Investment Trust Limited - Management Company	25,433	14,127
Profit on bank deposits	(8,643)	(18,949)
Capital loss on sale of investments	709	251
Amortisation of preliminary expenses and floatation costs	868	311
Element of loss and capital losses included in prices of units issued less those in units redeemed	16,227	31,096
	<u>241,319</u>	<u>113,249</u>
(Increase) / decrease in assets		
Investments	419,948	(2,251,171)
Accrued income	(2,291)	(6,932)
Security deposits	250	(350)
Preliminary expenses and floatation costs	-	(4,329)
Receivable against sale of units	82,736	(207,736)
	500,643	(2,470,518)
Increase / (decrease) in liabilities		
Payable to National Investment Trust Limited - Management Company	85	4,691
Payable to Central Depository Company of Pakistan Limited - Trustee	(105)	319
Payable to Securities and Exchange Commission of Pakistan	677	848
Payable against redemption of units	(76,872)	212,508
Accrued expenses and other liabilities	4,541	2,122
	(71,674)	220,488
Remuneration paid to National Investment Trust Limited - Management Company	(26,279)	(11,165)
Profit received on bank deposits	8,539	18,579
Net cash inflow from / (outflow on) operating activities	<u>652,548</u>	<u>(2,129,367)</u>

NIT - INCOME FUND

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	Note	For the year ended June 30, 2011	For the period from January 16 to June 30, 2010
Rupees in '000			
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from issue of units		1,058,567	5,055,626
Payments on redemption of units		(1,545,438)	(2,866,789)
Dividend paid		(29,486)	-
Net cash (outflow on) / inflow from financing activities		(516,357)	2,188,837
Net increase in cash and cash equivalents during the year / period		136,191	59,470
Cash and cash equivalents at the beginning of the year / period		59,470	-
Cash and cash equivalents at the end of the year / period	4	195,661	59,470

The annexed notes 1 to 31 form an integral part of these financial statements.

For National Investment Trust Limited
(Management Company)

Sd/-
Managing Director

Sd/-
Director

Sd/-
Director

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

The NIT - Income Fund (the Fund) was established under a Trust Deed executed between National Investment Trust Limited (NITL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter no. NBFC-II/NITL/1026/2009 dated November 20, 2009 and the Trust Deed was executed on September 17, 2009. The units of the Fund have been initially issued at Rs. 10 per unit.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 6th floor, National Bank of Pakistan Building, I. I. Chundrigar Road, Karachi.

The Fund is an open-ended mutual fund. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The objective of the Fund is to generate competitive stream of return with moderate level of risk for its unit holders, by investing primarily in fixed income securities / instruments.

Pakistan Credit Rating Agency Limited (PACRA) has assigned "AA-" rating to the Fund based on the performance during the period ended December 31, 2010.

JCR - VIS Credit Rating Company Limited has assigned an asset management rating of 'AM2-' to the Management Company.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

2.3 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are not yet effective:

The following revised standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and note 5).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that investments have been carried at fair value.

2.6 Functional and presentation currency

These financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents include demand deposits with banks and other short term highly liquid investments with original maturities of three months or less and which are subject to insignificant changes in value.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: loans and receivables, at fair value through profit or loss and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

b) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as held for trading in the 'financial assets at fair value through profit or loss' category.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Fund commits to purchase or sell the asset.

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the income statement.

3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as 'at fair value through profit or loss' and 'available for sale' are valued as follows:

a) Basis of valuation of debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Fund Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 1 of 2009 dated January 6, 2009. In the determination of the rates MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Basis of valuation of government securities

The investment of the Fund in Government Securities is valued on the basis of rates announced by the Financial Markets Association of Pakistan.

Net gains and losses arising from changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the 'income statement'.

Net gains and losses arising from changes in the fair value of available for sale financial assets are taken to the 'statement of comprehensive income' until these are derecognised or impaired. At this time, the cumulative gain or losses previously recognised directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gains or losses are also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired, and through the amortisation process.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

3.2.5 Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If any such evidence exists for 'available for sale' financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the 'income statement' is reclassified from 'unit holders' fund' to the 'income statement'.

a) Debt securities

Provision for non-performing debt securities is made on the basis of time based criteria as prescribed under circular no. 1 of 2009 dated January 6, 2009 issued by SECP. Impairment losses recognised on debt securities can be reversed through the income statement.

As allowed under circular no. 13 of 2009 dated May 4, 2009 issued by SECP the management may also make provision against debt securities over and above the minimum provision requirement prescribed in the aforesaid circular, in accordance with a provisioning policy approved by the Board of Directors and disseminated by the Management Company in its website.

b) Loans and receivables

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is determined based on the provisioning criteria specified by SECP.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

3.2.7 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 'Statement of Assets and Liabilities' when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.3 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.4 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

3.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non- Banking Finance Companies and Notified Entities Regulations.

3.6 Provisions

Provisions are recognised when the Fund has a present, legal or constructive, obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.8 Proposed distributions

Distributions declared subsequent to the year end are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared.

3.9 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that day. The offer price represents the Net Asset Value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption applications during business hours on that day. The redemption price represents the Net Asset Value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

3.10 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is credited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net asset value and included in the sale proceeds of units. Upon redemption of units, the 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' account is debited with the amount representing net income / (loss) and capital gains / (losses) accounted for in the net asset value and included in the redemption price.

The 'element of income / (loss) and capital gains / (losses) in prices of units issued less those in units redeemed' during the year is transferred to the 'income statement'.

3.11 Net Asset Value per unit

The Net Asset Value (NAV) per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.12 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Income from investments in term finance certificates is recognised on an accrual basis, except where recovery is doubtful in which case it is credited to suspense account.
- Profit on bank deposits is recognised on an accrual basis.
- Income from term deposit receipts is recognised on an accrual basis.
- Income on issue and repurchase of units is recognised when the units are issued and redeemed at the transaction date.
- Income from government securities is accrued using the effective interest method.

	Note	2011	2010
		Rupees in '000	
4 BANK BALANCES			
Savings accounts	4.1	45,661	59,470
Term deposit receipts	4.2	150,000	-
		195,661	59,470

4.1 These carry profits at the rates ranging from 6.00% to 12.75% per annum (2010: 6.00% to 11.50% per annum).

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

4.2 This carries interest at the rate of 13.70% per annum (2010: Nil) having maturity in July 2011.

5	INVESTMENTS	Note	2011	2010
			Rupees in '000	
	Available for sale			
	Government securities - Market Treasury Bills	5.1	1,353,167	1,870,833
	Term finance certificates - listed	5.2 & 5.4	222,033	214,852
	Term finance certificates - unlisted	5.3 & 5.4	255,849	155,146
			<u>1,831,049</u>	<u>2,240,831</u>

5.1 Investment in government securities - Available for sale

Issue date	Tenor	Face value			Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2010	Purchases during the year	Sales / matured during the year	As at June 30, 2011	Cost	Market value		
Rupees in '000									
Market Treasury Bills									
August 27, 2009	12 Months	-	50,000	50,000	-	-	-	-	-
September 10, 2009	12 Months	-	200,000	200,000	-	-	-	-	-
February 25, 2010	12 months	635,000	-	635,000	-	-	-	-	-
February 25, 2010	06 months	485,000	-	485,000	-	-	-	-	-
March 11, 2010	12 months	300,000	-	300,000	-	-	-	-	-
March 25, 2010	12 months	-	20,000	20,000	-	-	-	-	-
May 06, 2010	12 months	237,500	-	237,500	-	-	-	-	-
May 20, 2010	03 months	175,000	-	175,000	-	-	-	-	-
May 20, 2010	06 months	150,000	-	150,000	-	-	-	-	-
June 17, 2010	12 months	-	120,000	120,000	-	-	-	-	-
July 15, 2010	03 Months	-	125,000	125,000	-	-	-	-	-
August 26, 2010	03 Months	-	337,000	337,000	-	-	-	-	-
November 16, 2010	03 Months	-	438,000	438,000	-	-	-	-	-
December 02, 2010	03 months	-	150,000	150,000	-	-	-	-	-
December 18, 2010	06 months	-	25,000	25,000	-	-	-	-	-
December 30, 2010	03 months	-	100,000	100,000	-	-	-	-	-
February 10, 2011	03 months	-	745,000	745,000	-	-	-	-	-
February 24, 2011	03 months	-	462,000	462,000	-	-	-	-	-
March 10, 2011	03 months	-	300,000	300,000	-	-	-	-	-
March 24, 2011	06 months	-	125,000	-	125,000	121,380	121,247	(133)	6%
April 21, 2011	03 months	-	20,000	-	20,000	19,908	19,898	(10)	1%
May 05, 2011	03 months	-	300,000	-	300,000	297,184	296,965	(219)	15%
May 05, 2011	06 months	-	460,000	-	460,000	440,128	439,426	(702)	22%
May 19, 2011	03 months	-	150,000	-	150,000	147,848	147,727	(121)	7%
May 19, 2011	06 months	-	345,000	-	345,000	328,321	327,904	(417)	16%
June 16, 2011	03 months	-	200,000	200,000	-	-	-	-	-
Total - June 30, 2011		1,982,500	4,672,000	5,254,500	1,400,000	1,354,769	1,353,167	(1,602)	67%
Total - June 30, 2010		-	3,682,500	1,700,000	1,982,500	1,875,298	1,870,833	(4,465)	82%

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

5.2 Term finance certificates - listed

All certificates have a face value of Rs. 5,000 each.

Name of the investee company	Number of certificates				Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2010	Purchases during the year	Disposed during the year	As at June 30, 2011	Cost	Market value	Appreciation / (Diminution)		
Rupees in '000									
Commercial banks									
Askari Bank Limited	16,000	-	-	16,000	80,754	82,697	1,943	4%	5%
NIB Bank Limited	5,000	-	-	5,000	24,018	24,069	51	1%	1%
United Bank Limited	10,000	-	-	10,000	47,198	49,298	2,100	2%	3%
	31,000	-	-	31,000	151,970	156,064	4,094	7%	9%
Fertilizer									
Engro Fertilizer Limited	13,000	-	-	13,000	65,602	65,969	367	3%	4%
Total - June 30, 2011	44,000	-	-	44,000	217,572	222,033	4,461	10%	13%
Total - June 30, 2010	-	44,000	-	44,000	217,424	214,852	(2,572)	9%	10%

5.3 Term finance certificates - unlisted

All certificates have a face value of Rs. 5,000 each.

Name of the investee company	Number of certificates				Balance as at June 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2010	Purchases during the year	Disposed during the year	As at June 30, 2011	Cost	Market value	Appreciation / (Diminution)		
Rupees in '000									
Commercial banks									
Bank Al-Falah Limited (Fixed)	7,000	-	-	7,000	35,250	34,355	(895)	2%	2%
Bank Al-Falah Limited (Floating)	14,000	2,000	2,000	14,000	70,664	70,938	274	4%	4%
Bank Al-Habib Limited (3rd issue)	10,000	-	-	10,000	52,008	50,556	(1,452)	3%	3%
Bank Al-Habib Limited (4th issue)	-	20,000	-	20,000	100,000	100,000	-	5%	5%
Total - June 30, 2011	31,000	22,000	2,000	51,000	257,922	255,849	(2,073)	14%	14%
Total - June 30, 2010	-	31,000	-	31,000	158,198	155,146	(3,052)	7%	7%

5.4 Significant terms and conditions of term finance certificates outstanding at the year end are as follows:

Name of security	Number of certificates	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Tenor	Secured / unsecured	Rating
Listed term finance certificates							
Askari Bank Limited	16,000	4,997	6-months KIBOR + 2.50%	November 18, 2009	10 years	Unsecured	AA-
NIB Bank Limited	5,000	4,994	6-months KIBOR + 1.15%	March 5, 2008	8 years	Unsecured	A+
United Bank Limited	10,000	4,994	6-months KIBOR + 0.85%	February 14, 2008	10 years	Unsecured	AA
Engro Fertilizers Limited	13,000	4,997	6-months KIBOR + 2.40%	December 17, 2009	7 years	Secured	AA

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Name of security	Number of certificates	Unredeemed face value (Rupees)	Mark-up rate (per annum)	Issue date	Tenor	Secured / unsecured	Rating
Unlisted term finance certificates							
Bank Al-Falah Limited (Fixed)	7,000	4,997	15.00%	December 2, 2009	8 years	Unsecured	AA-
Bank Al-Falah Limited (Floating)	14,000	4,997	6-months KIBOR + 2.50%	December 2, 2009	8 years	Unsecured	AA-
Bank Al-Habib Limited (3rd issue)	10,000	4,992	15.50%	June 15, 2009	8 years	Unsecured	AA
Bank Al-Habib Limited (4th issue)	20,000	5,000	15.00%	June 30, 2011	10 years	Unsecured	AA

	Note	2011	2010
		Rupees in '000	
5.5 Net unrealised appreciation / (diminution) in the fair value of investments classified as 'available for sale'			
Market value of investments	5	1,831,049	2,240,831
Less: Carrying value of investments		1,830,263	2,250,920
		786	(10,089)
Less: Net unrealised appreciation / (diminution) in the fair value of investments at the beginning of the year / period		(10,089)	-
		10,875	(10,089)
6 ACCRUED INCOME			
Income accrued on term finance certificates		7,606	6,932
Income accrued on term deposit receipt		1,576	-
Profit accrued on savings accounts		474	370
Other receivable		41	-
		9,697	7,302
7 SECURITY DEPOSITS			
Security deposits with:			
- Central Depository Company of Pakistan Limited		100	100
- National Clearing Company of Pakistan Limited		-	250
		100	350
8 PRELIMINARY EXPENSES AND FLOTATION COSTS			
Balance at the beginning of the year / period		4,018	-
Preliminary expenses and floatation costs incurred during the year / period	8.1	-	4,329
Less: Amortisation during the year / period		868	311
Balance at the end of the year / period		3,150	4,018

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

- 8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from February 20, 2010 as per the requirements set out in the Trust Deed of the Fund.

	Note	2011	2010
		Rupees in '000	
9			
PAYABLE TO NATIONAL INVESTMENT TRUST LIMITED			
- MANAGEMENT COMPANY			
On account of:			
- management remuneration	9.1	2,116	2,962
- formation cost & other initial charges		4,484	4,484
- sales load		292	207
		<u>6,892</u>	<u>7,653</u>

- 9.1 Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged its remuneration at the rate of 1.25 percent per annum of the average annual net assets of the Fund for the current year. The remuneration is paid on a monthly basis in arrears.

	Note	2011	2010
		Rupees in '000	
10			
PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee	10.1	<u>214</u>	<u>319</u>

- 10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net assets of the Fund. The remuneration is paid to the Trustee monthly in arrears.

The tariff structure applicable to the Fund as at June 30, 2011 is as follows:

Net assets	Tariff
Upto Rupees 1 billion	Higher of Rupees 600,000 or 0.17% per annum of NAV
Over Rupees 1 billion and upto Rupees 5 billion	Rupees 1,700,000 plus 0.085% per annum of NAV exceeding Rupees 1 billion
Exceeding Rupees 5 billion	Rupees 5,100,000 plus 0.07% per annum of NAV exceeding Rupees 5 billion

NIT - INCOME FUND**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011	2010
		Rupees in '000	
11	PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN		
	Annual fee	11.1 1,525	848

11.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as income scheme is required to pay as annual fee to the Securities and Exchange Commission of Pakistan, an amount equal to 0.075 percent of the average annual net assets of the scheme. The Fund has been categorised as an income scheme by the management company.

	2011	2010
	Rupees in '000	
12	ACCRUED EXPENSES AND OTHER LIABILITIES	
	Provision for workers' welfare fund	5,869 1,650
	Auditors' remuneration payable	448 350
	Printing charges payable	25 50
	Brokerage payable	14 56
	Settlement charges payable to National Clearing Company of Pakistan Limited	15 15
	Zakat payable	230 -
	Capital gains tax payable	48 -
	Withholding tax payable	7 -
	Dividend payable	6 -
	Custodian charges payable to Central Depository Company of Pakistan Limited	1 1
		<u>6,663</u> <u>2,122</u>

13 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011 (2010: Nil)

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	For the year ended June 30, 2011	For the period from January 16 to June 30, 2010
	Number of units	
14 NUMBER OF UNITS IN ISSUE		
Total units in issue at the beginning of the year / period	221,993,179	-
Add: Units issued during the year / period	100,067,386	501,995,166
Add: Bonus units issued during the year / period	4,406,122	-
Add: Units issued during the year / period under Cumulative Investment Plan	418,079	-
Less: Units redeemed	(147,134,832)	(280,001,987)
Total units in issue at the end of the year / period	<u>179,749,934</u>	<u>221,993,179</u>
	Rupees in '000	
15 AUDITORS' REMUNERATION		
Statutory audit fee - Annual	330	300
Statutory audit fee - Half year	165	-
	<u>495</u>	<u>300</u>
Fee for the review of statement of compliance with the best practices of the Code of Corporate Governance	50	50
Tax consultancy	50	-
Other certification	-	15
Out of pocket expenses	55	-
	<u>650</u>	<u>365</u>

16 PROVISION FOR WORKERS' WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs. 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2010.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal council who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Subsequent to the year ended 30 June 2011, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs. 5.869 million (including Rs. 4.219 million for the current year) in these financial statements.

17 TAXATION

The income of the Fund is exempt from income tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded provision for taxation as the management company intends to distribute at least ninety percent of the Fund's accounting income for the current year as reduced by capital gains, whether realised or unrealised, to its unit holders.

18 EARNINGS PER UNIT - BASIC AND DILUTED

	For the Year ended June 30, 2011	For the period from January 16 to June 30, 2010
	Rupees in '000	
Net income after taxation	206,725	86,413
	Number of units	
Weighted average number of units outstanding during the year / period	188,695,971	274,562,004
	Rupees	
Earnings per unit	1.10	0.31

19 COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. National Investment Trust Limited (Management Company) classified NIT - Income Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at June 30, 2011, the Fund is compliant with all the requirements of the said circular except for clause 9(viii) which requires that the weighted average time to maturity of the net assets of the Fund shall not exceed 4 years excluding securities issued by the Federal Government.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Weighted average time to maturity of the net assets *	Net assets of the Fund excluding Federal Government securities	660,560	-	660,560	Not applicable	Not applicable

* Presently, the weighted average time to maturity of the net assets of the Fund excluding Federal Government Securities is 5.18 years. The management is taking steps to ensure compliance with the above requirement.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

20 FINANCIAL INSTRUMENTS BY CATEGORY

	2011		Total
	Loans and receivables	Available for sale	
	Rupees in '000		
Assets			
Bank balances	195,661	-	195,661
Investments	-	1,831,049	1,831,049
Accrued income	9,697	-	9,697
Security deposits	100	-	100
Receivable against sale of units	125,000	-	207,736
	<u>330,458</u>	<u>1,831,049</u>	<u>2,244,243</u>

	2011		Total
	Liabilities at fair value through profit or loss	Amortised cost	
	Rupees in '000		
Liabilities			
Payable to National Investment Trust Limited - Management Company	-	6,892	6,892
Payable to Central Depository Company of Pakistan Limited - Trustee	-	214	214
Payable against redemption of units	-	135,636	135,636
Accrued expenses and other liabilities	-	509	509
	<u>-</u>	<u>143,251</u>	<u>143,251</u>

	2010		Total
	Loans and receivables	Available for sale	
	Rupees in '000		
Assets			
Bank balances	59,470	-	59,470
Investments	-	2,240,831	2,240,831
Accrued income	7,302	-	7,302
Security deposits	350	-	350
Receivable against sale of units	207,736	-	207,736
	<u>274,858</u>	<u>2,240,831</u>	<u>2,515,689</u>

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	2010		
	Liabilities at fair value through profit or loss	Amortised cost	Total
	Rupees in '000		
Liabilities			
Payable to National Investment Trust Limited - Management Company	-	7,653	7,653
Payable to Central Depository Company of Pakistan Limited - Trustee	-	319	319
Payable against redemption of units	-	212,508	212,508
Accrued expenses and other liabilities	-	472	472
	-	220,952	220,952

21 TRANSACTIONS WITH CONNECTED PERSONS

- 21.1** Connected persons include National Investment Trust Limited being the Management Company, Central Depository Company of Pakistan Limited being the Trustee, other collective investment schemes managed by the Management Company, any person or company beneficially owning directly or indirectly ten percent or more of the capital of the Management Company or the Fund and directors and officers of the Management Company and the Trustee.
- 21.2** The transactions with connected persons are in the normal course of business, at contracted terms determined in accordance with the market rates.
- 21.3** Remuneration to the Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.
- 21.4** Remuneration payable to the Trustee is determined in accordance with the provisions of the Trust Deed.

21.5	Details of the transactions with connected persons are as follows:	For the year ended June 30, 2011	For the period from January 16 to June 30, 2010
		Rupees in '000	
	National Investment Trust Limited - Management Company		
	Units invested during the year / period	-	967,000
	Issue of 1,249,151 bonus units (2010: Nil)	12,484	-
	Units redeemed during the year / period	-	594,000
	Front end load on sale of units	85	207
	Management fee for the year / period	25,433	14,127
	Central Depository Company of Pakistan Limited - Trustee		
	Trustee fee for the year / period	2,808	1,489
	CDC connection charges	7	3

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

	For the year ended June 30, 2011	For the period from January 16 to June 30, 2010
	Rupees in '000	
National Investment Trust Limited - Provident Fund		
Issue of 2,231,565 units (2010: 4,916,907 units)	25,000	50,000
Issue of 84,644 bonus units (2010: Nil)	846	-
Redemption of 2,416,907 units (2010: 2,500,000 units)	27,076	25,860
National Investment Trust Limited - Pension Fund		
Issue of 8,926,260 units (2010: 24,584,534 units)	100,000	250,000
Issue of 423,221 bonus units (2010: Nil)	4,230	-
Redemption of 12,084,534 units (2010: 12,500,000 units)	132,781	129,298
Directors and management personnel		
Units invested during the year / period	-	305
	2011	2010
	Rupees in '000	
Amounts outstanding as at the end of the year / period		
National Investment Trust Limited - Management Company		
36,917,042 units held (June 30, 2010: 35,667,891 units)	413,578	394,000
Management fee payable	2,116	2,962
Formation cost and other initial charges payable	4,484	4,484
Sales load payable	292	207
Central Depository Company of Pakistan Limited - Trustee		
Trustee fee payable	214	319
Security Deposit	100	100
National Investment Trust Limited - Provident Fund		
2,316,209 units held (June 30, 2010: 2,416,907 units)	25,948	25,000
National Investment Trust Limited - Pension Fund		
9,349,481 units held (June 30, 2010: 12,084,534 units)	104,741	125,000
Directors and management personnel		
20,700 units held (June 30, 2010: 30,453 units)	232	315

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

22 FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

22.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices.

The Management Company manages the market risk through diversification of the investment portfolio by exposures and by following the internal guidelines established by the investment committee.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

22.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as its operations are geographically restricted to Pakistan and all transactions are carried out in Pakistani Rupees.

22.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

a) Sensitivity analysis for variable rate instruments

As at June 30, 2011, the Fund holds KIBOR based interest bearing term finance certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2011, with all other variables held constant, the net income for the year and net assets of the Fund would have been higher / lower by Rs. 0.008 million (2010: Rs. 0.513 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2011, the Fund holds market treasury bills and term finance certificates which are classified as 'Available for sale' exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Markets Association of Pakistan for market treasury bills and 100 basis points increase in effective interest rate of term finance certificates on June 30, 2011 with all other variables held constant, the net income for the year and net assets of the Fund would have been lower by Rs. 15.381 million (2010: Rs. 13.894 million). In case of 100 basis points decrease in those rates, the net income for the year and net assets of the Fund would have been higher by Rs. 15.381 million (2010: Rs. 14.786 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Markets Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off balance sheet instruments is based on settlement date.

NIT - INCOME FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

As at June 30, 2011

Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

Rupees in '000

On balance sheet financial instruments**Financial assets**

Bank balances	6.00% - 13.70%	195,661	-	-	-	195,661
Investments	13.14% - 16.29%	585,864	770,129	475,056	-	1,831,049
Accrued income		-	-	-	9,697	9,697
Security deposits		-	-	-	100	100
Receivable against sale of units		-	-	-	207,736	207,736
		781,525	770,129	475,056	217,533	2,244,243

Financial liabilities

Payable to National Investment Trust Limited

- Management Company

Payable to Central Depository Company of

Pakistan Limited - Trustee

Payable against redemption of units

Accrued expenses and other liabilities

	-	-	-	6,892	6,892
	-	-	-	214	214
	-	-	-	135,636	135,636
	-	-	-	509	509
	-	-	-	143,251	143,251

On balance sheet gap

	781,525	770,129	475,056	74,282	2,100,992
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Off balance sheet financial instruments

	-	-	-	-	-
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Off balance sheet gap

	-	-	-	-	-
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Total interest rate sensitivity gap

	781,525	770,129	475,056	74,282	2,100,992
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Cumulative interest rate sensitivity gap

	781,525	1,551,654	2,026,710	2,100,992
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NIT - INCOME FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

2010

Effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Up to three months	More than three months and up to one year	More than one year		

Rupees in '000

On balance sheet financial instruments

Financial assets

Bank balances	6.00% - 11.50%	59,470	-	-	-	59,470
Investments	11.87% - 15.50%	-	2,240,831	-	-	2,240,831
Accrued income		-	-	-	7,302	7,302
Security deposits		-	-	-	350	350
Receivable against sale of units		-	-	-	207,736	207,736
		59,470	2,240,831	-	215,388	2,515,689

Financial liabilities

Payable to National Investment Trust Limited

- Management Company

	-	-	-	7,653	7,653
Payable to Central Depository Company of Pakistan Limited					
- Trustee	-	-	-	319	319
Payable against redemption of units	-	-	-	212,508	212,508
Accrued expenses and other liabilities	-	-	-	472	472
	-	-	-	220,952	220,952

On balance sheet gap

	59,470	2,240,831	-	(5,564)	2,294,737
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Off balance sheet financial instruments

	-	-	-	-	-
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Off balance sheet gap

	-	-	-	-	-
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Total interest rate sensitivity gap

	59,470	2,240,831	-	(5,564)	2,294,737
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Cumulative interest rate sensitivity gap

	59,470	2,300,301	2,300,301	2,294,737	
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NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

22.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Fund is not exposed to equity securities price risk as the Fund does not hold any equity securities as at June 30, 2011.

22.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in term finance certificates, loans and receivables and balances with banks. The credit risk on liquid funds is limited because the counter parties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by Investment Committee) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency.

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2011:

Bank balances

Name of the bank	Balance as at June 30, 2011	Rating agency	Published rating	Percentage of total bank balances
Rupees in '000				
Allied Bank Limited	12,921	PACRA	A1+	6.60%
United Bank Limited	430	JCR-VIS	A-1+	0.22%
Standard Chartered Bank (Pakistan) Limited	169	PACRA	A1+	0.09%
Bank Al-Habib Limited	4,972	PACRA	A1+	2.54%
NIB Bank Limited	27,169	PACRA	A1+	13.89%
Bank Alfalah Limited	150,000	PACRA	A1+	76.66%
	195,661			100.00%

Term Finance Certificates

Name of the investee company	Market value as at June 30, 2011	Rating agency	Published rating	Percentage of total market value
Rupees in '000				

Commercial Banks

Askari Bank Limited	82,697	PACRA	AA-	17.30%
Bank Al-Falah Limited (Fixed)	34,355	PACRA	AA-	7.19%
Bank Al-Falah Limited (Floating)	70,938	PACRA	AA-	14.84%
United Bank Limited	49,298	JCR-VIS	AA	10.32%

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

Name of the investee company	Market value as at June 30, 2011	Rating agency	Published rating	Percentage of total market value
Rupees in '000				
Bank Al-Habib Limited (3rd issue)	50,556	PACRA	AA	10.58%
Bank Al-Habib Limited (4th issue)	100,000	PACRA	AA	20.93%
NIB Bank Limited	24,069	PACRA	A+	5.04%
	411,913			86.20%
Fertilizers				
Engro Fertilizers Limited	65,969	PACRA	AA	13.80%
	477,882			100.00%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. None of these assets are 'impaired' nor 'past due but not impaired'.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is mostly concentrated in the banking sector, exposing it to financial risk in case of any decline in such sector. As at June 30, 2011, 86.20% of the Fund's investment in term finance certificates is concentrated in the banking sector.

22.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligation in full as they fall due or can only do so on terms that are materially disadvantageous to the Fund.

The Fund is exposed to daily cash redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was obtained by the Fund during the current year.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any significant redemptions during the year.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

financial liabilities¹ into relevant maturity groupings based on the remaining period at the contractual undiscounted cash flows excluding gross settled derivatives.

	2011			Total
	Up to three months	Over three months and up to one year	Over one year	
Rupees in '000				
Financial liabilities				
Payable to National Investment Trust Limited - Management Company	6,892	-	-	6,892
Payable to Central Depository Company of Pakistan Limited - Trustee	214	-	-	214
Payable against redemption of units	135,636	-	-	135,636
Accrued expenses and other liabilities	509	-	-	509
Contractual cash outflows	143,251	-	-	143,251

	2010			Total
	Up to three months	Over three months and up to one year	Over one year	
(Rupees in '000)				
Financial liabilities				
Payable to National Investment Trust Limited - Management Company	7,653	-	-	7,653
Payable to Central Depository Company of Pakistan Limited - Trustee	319	-	-	319
Payable against redemption of units	212,508	-	-	212,508
Accrued expenses and other liabilities	472	-	-	472
Contractual cash outflows	220,952	-	-	220,952

23 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of a proportionate share based on the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'statement of movement in unit holders' fund'.

The Fund has no restriction or specific capital requirement on the subscription and redemption of units.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 22, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

24 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short term in nature or periodically repriced.

According to amendments to International Financial Reporting Standard 7, Financial Instruments: Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	2011			Total
	Level 1	Level 2	Level 3	
ASSETS	Rupees in '000			
Investment in securities - available for sale	1,353,167	477,882	-	1,831,049

NIT - INCOME FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

ASSETS	2010			Total
	Level 1	Level 2	Level 3	
	Rupees in '000			
Investment in securities - available for sale	1,870,833	369,998	-	2,240,831

25 TRANSACTIONS WITH BROKERS / DEALERS

List of brokers by percentage of commission paid during the year ended June 30, 2011

S. No.	Particulars	Commission paid	Percentage
		Rupees in '000	
1.	JS Global Capital Limited	27	37.50%
2.	Invest & Finance Securities	5	6.94%
3.	Invest Capital Investment Bank	6	8.33%
4.	Summit Capital Limited	4	5.56%
5.	BMA Securities Limited	7	9.72%
6.	KASB Securities (Private) Limited	8	11.11%
7.	Invisor Securities (Private) Limited	12	16.67%
8.	Elixir Securities (Private) Limited	3	4.17%
		72	100.00%

List of brokers by percentage of commission paid during the period ended June 30, 2010

S. No.	Particulars	Commission paid	Percentage
		Rupees in '000	
1.	JS Global Capital Limited	139	62.33%
2.	Alfalah Securities (Private) Limited	32	14.35%
3.	Global Securities (Private) Limited	30	13.45%
4.	BMA Securities Limited	13	5.83%
5.	KASB Securities (Private) Limited	6	2.69%
6.	Invisor Securities (Private) Limited	2	0.90%
7.	Elixir Securities (Private) Limited	1	0.45%
		223	100.00%

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

26 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follow:

As at June 30, 2011				
S.No	Name	Designation	Qualification	Experience in years
1	Wazir Ali Khoja*	Chairman and Managing Director	B. Com	40
2	Shahid Anwar	Head of MD's Secretariat and Personnel	MBA & DAIBP	34
3	Manzoor Ahmed	Chief Operating Officer	MBA, DAIBP & Candidate for CFA Level III	22
4	S. Zubair Ahmed	Controller of Branches	M.Phil, MBA, PGD-General management & PGD-Development Policies	38
5	Aamir Amin	Head of Finance	CA	14
6	Khurram Aftab**	Fund Manager	MBA	09

27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 283rd, 284th, 285th, 286th and 287th Board meetings were held on July 05, 2010, August 13, 2010, October 14, 2010, February 8, 2011 and April 11, 2011 respectively. Information in respect of attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
1 Mr. Wazir Ali Khoja	5	5	-	-
2 Mian Tajammal Hussain	5	5	-	-
3 Syed Ali Raza *	3	3	-	-
4 Mr. Qamar Hussain *	2	2	-	-
5 Ms. Rukhsana Saleem	5	3	2	284th and 285th meeting
6 Mr. Jamal Nasim	5	5	-	-
7 Mr. Bahauddin Khan	5	5	-	-
8 Ms. Nazrat Bashir	5	5	-	-
9 Mr. Abdul Razak Adamjee	5	1	4	284th, 285th, 286th and 287th meeting
10 Mr. Aftab Ahmed Khan **	-	-	-	-
11 Mr. Muhtashim Ahmed Ashai **	4	4	-	-

* Mr. Qamar Hussain was co-opted as nominee of National Bank of Pakistan in place of Syed Ali Raza in 286th BoD held on February 8, 2011.

** Mr. Muhtashim Ahmed Ashai was co-opted as nominee of MCB Bank Limited in place of Mr. Aftab Ahmed Khan in 283rd BoD meeting held on July 5, 2010.

NIT - INCOME FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

28 PATTERN OF UNIT HOLDING

	As at June 30, 2011		
	Number of units	Investment amount	Percentage of total investment
	Rupees in '000		
Individuals	1,710	225,448	11.20%
Insurance companies	2	130,465	6.48%
Banks / DFIs	4	770,700	38.27%
NBFIs	1	413,579	20.54%
Retirement funds	12	247,077	12.27%
Public limited companies	1	57,955	2.87%
Others	12	168,503	8.37%
	<u>1,742</u>	<u>2,013,727</u>	<u>100.00%</u>

	As at June 30, 2010		
	Number of units	Investment amount	Percentage of total investment
	Rupees in '000		
Individuals	994	199,824	8.70%
Insurance companies	3	39,307	1.71%
Banks / DFIs	7	780,957	34.01%
NBFIs	1	99,950	4.35%
Retirement funds	6	65,149	2.84%
Public limited companies	11	670,062	29.18%
Others	14	440,988	19.21%
	<u>1,036</u>	<u>2,296,257</u>	<u>100.00%</u>

29 NON - ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on July 5, 2011 approved a distribution of Rs. 1.0581 per unit. The financial statements of the Fund for the year ended June 30, 2011 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2012.

NIT - INCOME FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

30 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on August 22, 2011 by the Board of Directors of the Management Company.

31 GENERAL

Figures have been rounded off to the nearest thousand rupees.

**For National Investment Trust Limited
(Management Company)**

**Sd/-
Managing Director**

**Sd/-
Director**

**Sd/-
Director**

NIT - INCOME FUND PERFORMANCE TABLE LAST 2 YEARS

		JUNE 11	JUNE 10
Total Net Asset Value Ex-Dividend	(Rs. In 000's)	1,823,534	2,218,559
Net Asset Value per Unit Ex-Dividend	(Rs. / unit)	10.1448	9.9938
Last Issue Price Per Unit *	(Rs. / unit)	11.2029	10.4472
Last Repurchase Price Per Unit *	(Rs. / unit)	11.2029	10.3438
Highest Issue Price During the Period	(Rs. / unit)	11.3149	10.4525
Lowest Issue Price During the Period	(Rs. / unit)	10.0187	10.0000
Highest Repurchase Price During the Period	(Rs. / unit)	11.2029	10.3490
Lowest Repurchase Price During the Period	(Rs. / unit)	10.0186	10.0064
Total Return of the Fund	%	12.10	9.88
Capital Growth	%	1.51	6.38
Income Distributions	%	10.59	3.5
Distribution per Unit (Final)		1.0581	0.35
Distribution Date		5-Jul-11	5-Jul-10
Average Annual Return **			
One Year	%	12.10	9.88
Two Year	%	10.99	-

Note: NIT IF price is neither guaranteed nor administered / managed. It is based on Net Asset Value (NAV) and the NAV of NIT IF units may go up or down depending upon the factors and forces affecting the market. Past performance is not indicative of future results.

* This is cum-dividend prices of 30th June.

** Fund launched on 15th February 2010